

Message Text

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ACTION EUR-12

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TO SECSTATE WASHDC 6847

INFO USMISSION EC BRUSSELS

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AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EGR/FR

SUBJECT: WINE SITUATION IN FRANCE

SUMMARY - PRIME MINISTER CHIRAC MET WITH FRENCH FARM LEADERS JANUARY 14 IN HIS SECOND MEETING IN TWO WEEKS IN WHICH HE PRESENTED GOF'S "FINAL" PLAN TO FIND SOLUTION TO CONTINUING WINE CRISIS. TAX ON ITALIAN WINE CONTINUED, PROPOSALS INCLUDE ACTION AT BOTH GOF AND EC LEVELS. BUT FRENCH FARMERS HAD HOPED THAT GOF WOULD PROPOSE STRONGER MEASURES AND IN THEIR VIEW PLAN IS NOT CONSIDERED AS FINAL. END SUMMARY.

1. DESPITE THE LOWER FRENCH WINE CROP IN 1975 THE WINE

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SITUATION HAS NOT REPEAT NOT IMPROVED SINCE THE TAXATION

BEGAN IN SEPTEMBER AGAINST ITALIAN WINE. THE SOUTHERN FRENCH TABLE WINE PRODUCERS HAVE NOT STOPPED THEIR DEMONSTRATION, VIOLENT AT TIMES. DESPITE THE TAXATION, IMPORTS OF ITALIAN WINE HAVE STAYED AT A HIGH LEVEL AND AVERAGED ABOUT 50 PERCENT ABOVE A YEAR EARLIER.

2. TO EASE THE SITUATION, THE GOVERNMENT HAS BEEN TRYING TO DEFINE A NEW MARKET ORGANIZATION FOR FRENCH TABLE WINES. IN SPITE OF CLOSE COMMUNICATION BETWEEN GOF AND FARM ORGANIZATIONS, THE TWO PARTIES HAD NOT FOUND AN AGREEABLE SOLUTION BECAUSE THE FARMERS WANTED STRONG MEASURES ADOPTED TO CONTROL AND LIMIT IMPORTS OF ITALIAN WINE AND A REVENUE GUARANTEE WHICH WOULD BE IN CONTRADICTION WITH CAP. THE GOF REFUSED SUCH MEASURES BECAUSE THEY THOUGHT THAT THE TAXATION MEASURES AGAINST ITALIAN WINE WERE THE MAXIMUM THAT COULD BE DONE IN REGARD TO CAP RULES AND PRINCIPLES, WHICH ARE STILL STRONGLY DEFENDED BY GOF.

3. AFTER A DECEMBER 30 MEETING AT PRIME MINISTER LEVEL, FOLLOWED BY A MEETING AT AG MINISTER LEVEL ON JANUARY 7, A SECOND MEETING WAS HELD WITH PRIME MINISTER CHIRAC ON JANUARY 14 TO ADOPT A FINAL PLAN.

4. THE MAIN MEASURES OF THE PLAN ARE:

A. CONTINUATION OF THE DUTY IMPOSED ON ITALIAN WINES AT THE SAME LEVEL. FRANCE WILL ASK THE EC TO RE-ESTABLISH COMPENSATORY AMOUNTS TO CORRECT THE 33 PERCENT DECREASE OF LIRA COMPARED TO THE FRANC. FRANCE WILL ALSO ASK THE EC TO DEFINE RAPIDELY A NEW WINE MARKET ORGANIZATION.

B. A DRAFT LAW WILL BE SUBMITTED TO THE PARLIAMENT TO REQUEST AN AGREEMENT OF THE WINE IMPORTERS TO BE MORE "COGNIZANT" OF THEIR IMPACT ON THE DOMESTIC WINE SITUATION.

C. QUALITY CONTROLS ON IMPORTED ITALIAN WINES WILL BE REINFORCED. ALSO, MIXING IMPORTED ITALIAN WINES WITH FRENCH WINES WILL BE FORBIDDEN.

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D. WINE PRODUCERS WILL BE ABLE TO DELAY THE PAYMENT OF THEIR INCOME AND PROPERTY TAXES.

E. A TABLE WINE OFFICE HAS BEEN CREATED, WHICH WILL HAVE SAME LEVEL OF AUTHORITY AS THE RELATIVELY NEW MEAT OFFICE (ONIBEV) I.E.: 1) MARKET ANALYSIS; 2) PROMOTION OF FRENCH WINES; 3) MARKET INTERVENTION

IN THE FRAMEWORK OF EC REGULATIONS.

COMMENTS

THE PRIME MINISTER DID NOT REPEAT NOT ACQUIESCE TO THE PRINCIPAL DEMAND OF THE WINE PRODUCERS, I.E. A WINE OFFICE ABLE TO CONTROL IMPORTS OF WINES, AND TO TAKE MEASURES GUARANTEEING MINIMUM FARMERS' REVENUES. BEFORE THE MEETING AG MINISTER BONNET MET COMMISSIONER LARDINOIS TO SEE HOW FAR FRANCE COULD GO. DUE TO THE TAXATION ALREADY TAKEN AGAINST ITALIAN WINE, FRANCE HAS BEEN DEFERRED TO THE EC COURT OF JUSTICE AND THE BARGAINING POWER OF THE GOF WITH FARMERS WAS THUS VERY LIMITED. IN SPITE OF THE PRESTIGE OF THE PRIME MINISTER AMONG MANY FARMERS, THE FINAL DECISIONS PRESENTED IN HIS SECOND MEETING WITH FARM LEADERS WERE NOT REPEAT NOT WELCOMED BY FARMERS. HOWEVER, THE FINAL BARGIN MSY BE THAT THE GOF WILL AGREE TO RESPECT EC RULES AND THUS REMOVE THE TAX IN RETURN FOR AN ADJUSTMENT OF COMPENSATORY AMOUNTS.

THE MODERATE FARMERS RECOGNIZE THAT MEASURES TAKEN AND PROPOSED COULD HAVE A GOOD EFFECT, BUT "MILITANT" FARMERS (COMITE D'ACTION VINICOLE) ARE VERY DESENCHANTED AND VIOLENT DEMONSTRATIONS ARE POSSIBLE FOR SOUTHERN FRANCE IN THE COMING WEEKS IN A RAPID DECISION IS NOT TAKEN AT BRTGSSELS TO SLOW DOWN ITALIAN WINE IMPORTS.

AIRGRAM WITH FURTHER DETAILS ON WINE SITUATION WILL FOLLOW.

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